



CHUGAI PHARMACEUTICAL CO., LTD.

Corporate Social Responsibility Report



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Editorial Policy

We take advantage of the respective characteristics of this printed report and our website to explain the social responsibility activities of the Chugai Group.

Taking advantage of their respective media characteristics, we have focused the content of the printed report on our main initiatives in 2011. On our website, in addition to the information in the printed report we have posted our action policies and detailed information.

In this report, items described in greater detail on the website are indicated by the

Chugai Pharmaceutical CSR Search mark.

Chugai CSR web page

<http://www.chugai-pharm.co.jp/hc/ss/english/csr/index.html>

Structure of the Chugai Corporate Social Responsibility Report CSR '11

This report is divided into six sections: Message from the Deputy Chairman of the Board, Feature, Response to the Great East Japan Earthquake, Responsibility to Society, Initiatives for Stakeholders, and Environmental and Safety Initiatives. The Feature highlights Chugai's ongoing welfare vehicles donation program, which is now in its 27th year.

We welcome your candid feedback and comments after reading the report.

☐ Scope of this report

This report primarily presents data on the Chugai Group (Chugai Pharmaceutical Co., Ltd., and its consolidated subsidiaries in Japan). In places it also gives data specifically on Chugai Pharmaceutical Co., Ltd.

☐ Timeframe covered

January 1, 2011 to December 31, 2011

☐ Reference guidelines

The contents of this report were prepared with reference to the Environmental Reporting Guidelines (Fiscal Year 2007 Edition) of Japan's Ministry of the Environment, and the 2006 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

☐ Issue dates (English version)

CSR '11: June 2012

CSR '10 (previous issue): June 2011

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Message from the Deputy Chairman of the Board

We are committed to providing innovative products and services as we continue to transform into a top Japanese pharmaceutical company.



The Great East Japan Earthquake of March 11, 2011 caused enormous damage over a wide area. We at Chugai express our sincere condolences to all the victims of the disaster, and hope for the earliest possible recovery of the affected region.

The damage from the earthquake forced us to adjust shipments of certain products. We moved production to other plants, made emergency imports and took other measures to maintain a stable supply of medicines. Nevertheless, many of our customers were inconvenienced, and I would like to apologize once again.

As defined in our Mission Statement, the Chugai Group's mission is to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world. We fulfill our social responsibility by conducting our business operations in line with this mission and the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for employees.

Based on these policies, we have consistently worked to deliver new value to stakeholders. In 2008, we launched our mid-term business plan, Sunrise 2012, to further enhance our operations, and in 2009, we started a project aimed at becoming a top Japanese pharmaceutical company.

The year 2012 is the final year of Sunrise 2012, but it is not the end of our drive to become a top pharmaceutical company. The environment of the pharmaceutical industry is changing rapidly, and Chugai must also change constantly in order to continue providing innovative medical products and services. We believe that human resource development is critical in effecting change. As part of our efforts in this regard, in January 2012, we introduced two systems to promote the success of our diverse employees: a talent management system that rewards each employee according to his or her skills and aptitude, and a new human resources management system based on diversity. We also reinforced CSR activities in general, such as social contribution and environmental protection, to lay the groundwork for growth after Sunrise 2012.

The Chugai Group remains committed to fulfilling its social responsibility and meeting the expectations of all stakeholders by taking actions that are appropriate for a top pharmaceutical company. On behalf of the Chugai Group management team, I would like to ask you, our stakeholders, for your continued support of our efforts.

A handwritten signature in black ink, reading "Motoo Ueno". The signature is fluid and cursive, with the first name "Motoo" and last name "Ueno" clearly distinguishable.

Motoo Ueno
Representative Director
Deputy Chairman of the Board
Corporate Social Responsibility



Feature: Welfare Vehicle Donation Program

Addressing Welfare Transportation Needs for 27 Years

With the unprecedented aging of society, the need for transportation services for people who require in-home nursing care is increasing. On its 60th anniversary in 1985, Chugai acted on the advice of concerned organizations and groups by initiating a program to donate specially equipped welfare vehicles to groups throughout Japan that provide home welfare services to the elderly and disabled. Originally, it was envisioned as a five-year program. However, we decided to continue it after realizing the strong need among welfare service providers not only to provide necessary services, but also to help free beneficiaries from the confines of their homes and contribute to raising their quality of life by deepening their involvement with their communities.

Every year since 1985, we have donated one vehicle to each of five welfare organizations selected in cooperation with the Japan National Council of Social Welfare and Central Community Chest of Japan. In 2005, Chugai's 80th anniversary, we donated a total of 47 vehicles, one per organization selected by each of Japan's prefectures. In the 27 years through 2011, we have donated a total of 188 welfare vehicles.

In 2011, we donated vehicles to five social welfare councils, including the Okumamachi Council of Social Welfare in Fukushima Prefecture, which had to temporarily relocate to Aizuwakamatsu City due to the nuclear power plant accident caused by the Great East Japan Earthquake.



Kyotango City Council
of Social Welfare
presentation ceremony

2011 Vehicle Recipients

Okumamachi Council of Social Welfare, Fukushima Prefecture
Takayama City Council of Social Welfare, Gifu Prefecture
Kyotango City Council of Social Welfare, Kyoto Prefecture
Shobara City Council of Social Welfare, Hiroshima Prefecture
Misatomachi Council of Social Welfare, Kumamoto Prefecture

Welfare Vehicles That Offer Functionality and Safety from the Standpoint of Caregivers and Users

The welfare vehicles that Chugai donates are vans with a front-seat capacity of three passengers, including the driver, and a rear-seat capacity of four wheelchair passengers or two wheelchair passengers and a gurney. The vehicles are equipped with automated wheelchair lifts as well as interior handrails to ensure user safety and reduce the burden on caregivers when boarding and exiting. Moreover, Chugai has the vehicles customized for functionality and safety with features such as a navigation system that allows the driver to check for objects behind the vehicle when backing up.



Comment from a Recipient Selection Organization

I hope Chugai will continue this meaningful support indefinitely.



The Japan National Council of Social Welfare was established as the national organization of prefectural social welfare councils, but there are also municipal welfare councils in all cities, towns and villages (about 1,800). We select recipients of the welfare vehicles through a fair and open process based on requests submitted to prefectural social welfare councils from around the country. We have assisted in this program since it began almost 30 years ago, but we feel that the need for these vehicles will increase in regions with aging populations and declining birthrates and in regions that have expanded due to municipal mergers. Continuing this program is very important for the social participation of the elderly and disabled. I really hope that Chugai will continue this meaningful support indefinitely.

Kenji Yamazaki, Secretary
Elderly and Disabled Welfare Dept.
Japan National Council of Social Welfare

Comment from a Recipient Facility

It gives users joy and something to live for.

We received a welfare vehicle from Chugai six years ago, in 2005. At our facility, we loan it to members on request. Since there is a large hospital nearby, it is often used for shopping trips or other excursions by people who are hospitalized or attending the attached training center. Users have told us that looking at the town through the



vehicle window and having contact with the community gives them joy and something to live for. I am sincerely grateful for this vehicle.

Masaharu Sato, Chairman
Hasuda City Council of Social Welfare



Comment from the Head of the Program

Maintaining neutrality and transparency is one factor that has enabled this program to continue.



This donation program has been able to go on for 27 years because it is a solution to a social issue. Another major factor is that the Japan National Council of Social Welfare and Central Community Chest of Japan, which work in cooperation with Chugai, help to ensure the program's neutrality and transparency. In a way, this steadiness and continuity characterizes Chugai. I think the significance of this program will continue to grow because the number of people who require nursing care is expected to increase further with the aging of society and other trends. Maintaining some form of connection with the communities where we donate the vehicles should widen the range of activities we can engage in.

Hideo Oka
Social Contribution Group, Corporate Social Responsibility Dept.

Response to the Great East Japan Earthquake

We in the Chugai Group extend our sincere condolences to all the victims of the earthquake that struck eastern Japan on March 11, 2011. We hope for the earliest possible recovery of the affected area.

Immediately after the earthquake, the Chugai Group set up an emergency headquarters led by the CEO of Chugai to confirm the safety of employees and the extent of damage. The headquarters also took actions to ensure business continuity and support the recovery and reconstruction of the disaster area.

Extent of Damage to the Chugai Group

- The safety of all Chugai Group employees was confirmed.
- Chugai's Sendai Branch and Koriyama Office, which are located closest to the epicenter, sustained significant damage, but resumed normal business activities after reconstruction work.
- The East Japan Distribution Center was slightly damaged, but resumed shipments on March 16.
- The Utsunomiya plant of Chugai Pharma Manufacturing Co., Ltd. was damaged, but repair work was completed and all facilities resumed operation in August. The damage from the earthquake at the Fujieda plant in Shizuoka Prefecture and the Ukima plant in Tokyo was minor, and did not affect production.

Support for the Disaster Area

Fundraising and Donations

Chugai donated ¥100 million for relief operations through the Japanese Red Cross Society. In addition, Chugai Group companies held a fundraising drive from March 16 to March 30. The officers of Chugai and employees of the Chugai Group raised a total of ¥25.9 million, which was donated through the Japanese Red Cross Society.



Fundraising at Chugai

Donations of Tamiflu

With signs of influenza infection reported at evacuation centers, Chugai donated approximately 60,000 treatment courses of stockpiled¹ anti-influenza agent Tamiflu Capsule 75 (oseltamivir phosphate) in light of the urgent need for medical supplies. The donations were provided mainly to the prefectures affected by the disaster.

1. Local governments had stockpiled Tamiflu for use against the influenza A/H1N1 pandemic. Chugai agreed to the use of these stockpiles for prevention and treatment of infection among victims of the disaster.

Support for Psychological Care for Children

The Chugai Group participated in the Roche 2011 Children's Walk, a global charity event sponsored by Roche to assist children in need. From the total amount raised by Chugai Group employees plus matching donations from Chugai, approximately ¥4.3 million was donated to Ashinaga Ikuei Kai² for the construction of Tohoku Rainbow House, a facility for providing psychological and other support to orphans of the Great East Japan Earthquake.

2. A Japanese non-profit organization that provides support in the form of scholarships and ongoing psychological care to children in and outside Japan who have been orphaned for various reasons. Ashinaga Ikuei Kai built Kobe Rainbow House in 1999 to provide psychological care for orphans of the Great Hanshin Earthquake.

Participation in the Children's Mini Library Project

The Chugai Group donated 100 copies of a children's science picture book for a project by the Japan Committee for UNICEF. The aim of the project is to deliver picture books and smiles to children living in evacuation centers.



(Photo courtesy of ICAM Co., Ltd.)

Volunteer Activities to Assist in the Recovery

As part of its social contribution efforts, the CHUGAI Wellnet Club³ planned and carried out a volunteer program to assist in the recovery of the area affected by the Great East Japan Earthquake. This program provides ongoing support for rebuilding the long-standing aquaculture industry of the Karakuwa Fisheries Cooperative in Kesennuma City, Miyagi Prefecture. The first event took place over three days from November 10, 2011, with 38 people participating. The Chugai Group will continue to support recovery from the earthquake by providing further opportunities for employees to participate as volunteers.

3. CHUGAI Wellnet Club was established for the purpose of improving the welfare of Chugai Group employees, and operates various programs together with the employee labor union.

Comments from Volunteers



Second from left: Masahiro Sakaiya

I was impressed by the positive attitude of the people who suffered in the disaster.

On this visit, we were able to help toward the resumption of scallop farming by the Karakuwa Fisheries Cooperative. It was only for a short time, but we all worked hard to attach the juvenile shellfish to longline ropes. I was impressed by the indomitable spirit and positive actions of everyone from the fisheries cooperative. One member of the cooperative said, "It will be a true recovery when we start producing even higher-quality scallops than we did before the earthquake." However, on that day I also realized ongoing recovery support would be needed.

Masahiro Sakaiya
Medicinal Chemistry Research Dept., Research Division

One person can help in various small ways.

I volunteered at Karakuwa, a fishing port right where the tsunami struck. Everything was washed away, including the buildings. It was still in a state of ruin in November, eight months after the earthquake, with lots of debris remaining. But I truly admired the determined fishermen who said, "We will rebuild this place." Although I could only do a little, I realized I can help in various ways, even with small acts such as telling people what we saw, consuming the products of the area once it recovers, and remembering the disaster. My real support starts now.

Saori Saito
Ukima Plant, Quality Management Group, Chugai Pharma Manufacturing Co., Ltd.



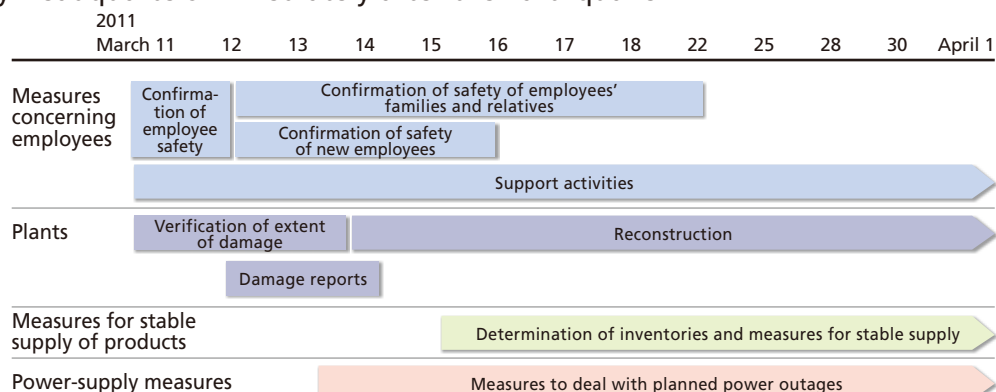
Left: Saori Saito

Power-Saving Measures

Please refer to "Power-Saving Measures" on page 27 for details.

Actions of the Emergency Headquarters Immediately after the Earthquake

Immediately after the earthquake, based on the business continuity plan, the Chugai Group set up an emergency headquarters led by the CEO (the Deputy Chairman of the Board served in his place on March 11) to quickly establish an information gathering network. Under his direction, the headquarters confirmed the safety of employees and verified the extent of damage.



Responsibility to Society

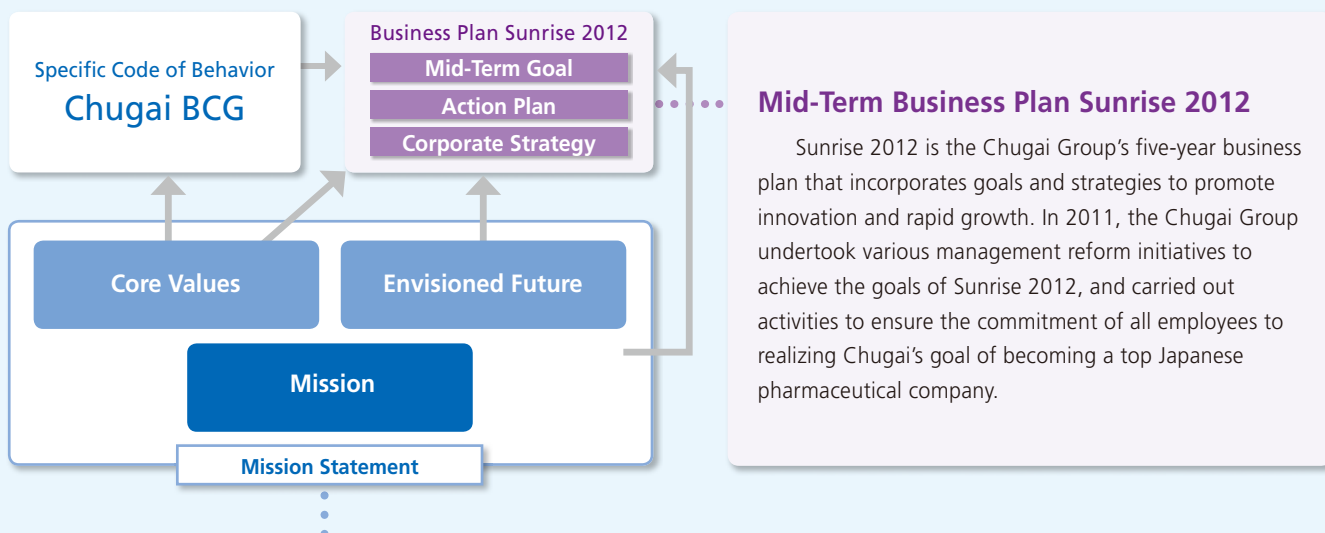
Our Approach

Fulfilling our responsibility to society by conducting all our business activities in accordance with our Mission Statement and the Chugai Business Conduct Guidelines

To realize its mission, Chugai has established a Mission Statement that includes seven Core Values to be shared as individuals and as a company in order to ensure sound business activities as we work toward our Envisioned Future. The Core Values also form the basis of the Chugai Business Conduct Guidelines (Chugai BCG), a code of behavior for management decision-making and employees. Moreover, we have formulated a mid-term business plan, Sunrise 2012, and are working to achieve its targets.

By conducting business activities with the Mission Statement at their core, we meet the expectations of our various stakeholders. That is the Chugai Group's social responsibility.

Relationships between the Mission Statement, Chugai BCG and Business Plan



Mission Statement

Mission

Chugai's mission is to dedicate itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world.

Core Values

- The primary focus of all our activities is patients and consumers.
- In all our activities we are committed to the highest ethical and moral standards.
- We value employees who develop profound expertise and broad perspectives and pursue innovation and challenges without fear of failure.
- Wherever we operate around the world we seek to understand and respect people and cultures and to behave as good corporate citizens.
- We promote an open and active corporate culture that respects individuality, ability and teamwork.
- We care about the global environment.
- We aim to achieve a fair return for our shareholders and to disclose information appropriately and in a timely manner.

Envisioned Future

As a most important member of the Roche group, we aim to become a top Japanese pharmaceutical company by providing a continuous flow of innovative new medicines domestically and internationally.

Framework for Promoting Corporate Social Responsibility (As of January 2012)



Framework for Promoting Corporate Social Responsibility

The Corporate Social Responsibility Committee, chaired by the Deputy Chairman of the Board, deliberates and makes decisions on tasks, policies, targets and action plans concerning social responsibility for all of the Chugai Group's business activities. The Corporate Social Responsibility Department is in charge of implementing the committee's decisions and presiding over daily activities, and works to provide support for corporate social responsibility activities and assesses their results.

The manager of each business unit is responsible for spreading and establishing the Chugai BCG, a code of behavior for promoting corporate social responsibility, in his or her workplace. The manager assigns a BCG promotion assistant, and they work together to deal with issues such as activities to promote the Chugai BCG and to enhance awareness of human rights.

The safety and environmental action plans decided by the Corporate Social Responsibility Committee are shared with the general safety and health managers and environmental protection managers at each facility and reflected in the facility's action plans.

BCG Hotline

The BCG Hotline has been set up in-house to provide opportunities for consultation about any suspected issues or questions related to the law, Company rules, or the Chugai BCG. Issues are investigated impartially, based on strict confidentiality. Company rules also prohibit disadvantageous treatment of employees who seek consultation via the hotline. Use of the hotline facilitates response to problems or other matters that are difficult to discuss and resolve in the workplace. This fosters a positive environment by enhancing the capacity of each workplace to address its own issues.

Chugai Business Conduct Guidelines

Responsibility to Patients and Consumers

We will always put the patient and the consumer first, and provide high-quality products and services of superior safety and efficacy.

Strict Adherence to the Law

In all our business activities, we will strictly adhere to all laws and their underlying principles.

Respect for Human Rights

We will respect human rights in every aspect of our business activities.

Fair Trade

We will engage in fair and transparent transactions with medical institutions and organizations, suppliers and customers.

Management of Corporate Assets

We will achieve our management objectives through the optimal and appropriate management and use of corporate assets.

Disclosure of Information

We will actively and fairly disclose corporate information in accordance with both legal requirements and the principles of social justice.

Social Contribution

We will remain aware of our responsibility as a good corporate citizen and actively continue with our social action programs.

Protection of the Global Environment

We believe the supreme value to the future of "one and only Earth" and, therefore, we continue our efforts to reconcile our business activity with nature and environments.

Relations with Governmental and Administrative Bodies

We will maintain fair and transparent relations with policymakers and administrative bodies.

Relations with External Bodies

We will maintain fair and transparent relations, within reason, with external bodies.

(These are the latest guidelines revised in January 2012.)

Socially Responsible Management

Focusing on prompt decision-making, clear executive responsibility, and management transparency

Chugai's Basic View of Corporate Governance

Chugai is committed to continuously increasing corporate value and responding appropriately and fairly to the requests of all stakeholders, including shareholders. To fulfill this commitment, the Company believes that prompt decision-making, clear executive responsibility, and management transparency are crucial. Accordingly, Chugai has been improving its governance system through measures that include appointing outside directors and introducing an executive officer system. Although the Company is affiliated with Roche Pharmholding B.V. on a consolidated basis, it is an independently listed company, and its decision-making is conducted under the principles of autonomy and independence.

Decision-Making and Systems for Business Execution and Auditing

Board of Directors

Chugai's Board of Directors is composed of twelve members including seven outside directors. It makes decisions on the most important management issues and oversees business execution based on the status reports it receives.

Executive Committee

In executing business entrusted to them by the Board of Directors, starting in March 2012, the chief executive officer (CEO) has ultimate responsibility for decisions on company-wide management strategies and other important matters, and the chief operating officer (COO) is responsible for decisions on business execution. These important decisions are made at meetings of the Executive Committee, which is composed of key executive officers, including the CEO and COO.

Full-time corporate auditors also attend Executive Committee meetings to express their views from the standpoint of sound corporate governance.

Board of Auditors

The Board of Auditors is made up of four corporate auditors, two of whom are outside auditors. They carefully audit management decision-making and the status of business execution by attending meetings of the Board of Directors and Executive Committee and by examining business reports from members of the Board of Directors.

International Advisory Council (IAC)

Chugai has also established an International Advisory Council (IAC) composed of specialists from Japan and other



countries. In an effort to further enhance decision-making, Chugai receives valuable counsel from the IAC to ensure that the Company continues to respond effectively to the rapidly changing global business environment.

(Figures are as of March 31, 2012)

Internal Audit System

In order to maintain its independence and objectivity as the department in charge of internal auditing, the Audit Department was set up with corporate staff in an independent organizational structure. The Audit Department audits the activities of each department of the Chugai Group and reports the results to the Executive Committee.

Relevant departments are advised of items needing improvement, and follow-up audits are conducted six months later to verify the status of improvements. The results of these audits are reported to the vice presidents in charge. In addition, the Audit Department reports results of internal audits to the full-time corporate auditors.

The Audit Department also works with all departments to conduct an annual internal control self-assessment. This enhances awareness of internal controls among department heads, and the feedback they receive on their assessment results helps them to improve their internal controls.

Risk Management System

The Chugai Group has established Risk Management Regulations and has a Risk Management Committee and a department responsible for risk management and compliance (the Corporate Social Responsibility Department) that implement Group-wide risk management.

Risks that could have a material impact on the Group's business activities are treated as Group-wide risks. Management policies are established for each type of risk, and concrete measures are taken proactively in an effort to prevent them from materializing. In addition, divisional risk management committees identify risks in each division and implement countermeasures.

The progress of, and response to, these major risks are reviewed every quarter, confirmed by the Risk Management Committee, and reported to the Executive Committee.

To deal with emergencies, Chugai has a disaster response mechanism in place. In the event of a crisis, an emergency headquarters will be established, headed by a representative director.

Internal Control over Financial Reporting

To meet the requirements of an internal control reporting system in Japan's Financial Instruments and Exchange Law (commonly called "J-SOX"), Chugai has finalized basic policies regarding establishment and assessment of internal controls over financial reporting, has established a robust system to provide reasonable assurance of the reliability of the Chugai Group's financial reporting, and has been conducting assessments properly. Chugai recognizes that the approaches to J-SOX system are important and meaningful activities which enhance our corporate value by securing the trust of shareholders, investors, and other stakeholders. Chugai will continue to manage our internal control reporting system with an attempt to improve efficiency and effectiveness in business procedures.

Commitment to Compliance

Chugai has established Compliance Regulations and has set up a Compliance Committee under the Risk Management Committee to regularly ascertain the status of compliance throughout the Group. The compliance managers and others responsible for compliance in each organization within the Chugai Group strive to ensure that all laws are properly observed.

Department managers are surveyed each quarter to assess compliance and reconfirm compliance items. The results are reported at Corporate Social Responsibility Committee meetings and necessary response measures are taken.

If a suspected compliance issue arises, it is reported to the Corporate Social Responsibility Department and the department in charge of the issue involved. Suitable response measures are then taken.

Chugai's Transparency Guidelines

Chugai has established the Chugai Transparency Guidelines based on the principles of the transparency guidelines of the Japan Pharmaceutical Manufacturers Association, and has created a framework to ensure transparency in its relationships with medical institutions and other outside parties. By implementing these guidelines and framework, Chugai will obtain broad recognition that it collaborates with medical institutions and others to contribute to the advancement of life science, and that these activities are conducted according to high ethical standards.

CSR Initiatives

Below is a summary of the CSR activities the Chugai Group conducts in various fields for the benefit of stakeholders, centered on the supply of innovative medicines and services.

We aim to be a trusted presence in society by basing our decisions and actions on high ethical standards.

The Chugai Group conducts its business activities with the understanding that its social responsibility is to resolve social issues together with stakeholders by providing innovative medicines and services and following the Chugai Business Conduct Guidelines (Chugai BCG).

To familiarize all employees with the Chugai BCG, we conduct various awareness programs, including training on corporate ethics and human rights. Our goal is to build an organization in which every employee makes decisions proactively and acts more autonomously.

We, the employees of the Chugai Group, are aware of our own social responsibility as members of society, and will base our actions on high ethical standards. By doing so, we hope to meet the demands and expectations of society and be a trusted presence.



Atsushi Sato
Department Manager
Corporate Social
Responsibility Department

Initiatives and Performance in 2011

Items	Main initiatives
High ethical and moral standards	<ul style="list-style-type: none"> Fostering high ethical standards through training on the Chugai BCG, continuous efforts to build human rights awareness Conducting CSR/BCG awareness survey of all employees. Monitoring awareness of and conduct with respect to Chugai's social responsibility, Mission, Core Values and the BCG. Maintaining high animal welfare standards in accordance with international guidelines Promoting compliance with the Pharmaceutical Affairs Law, fair competition codes, promotion codes, and other laws and regulations
Patients and consumers	<ul style="list-style-type: none"> Pursuing the development and provision of innovative pharmaceuticals Conducting activities to build awareness of disease in priority fields Conducting support activities for patients Providing support for researchers from Asia Responding to inquiries and disclosing information
Shareholders and investors	<ul style="list-style-type: none"> Disclosing information in an unbiased and highly transparent manner Holding frequent dialogues with investors in and outside Japan Holding general meetings of shareholders Realizing steady dividend payments
Business partners	<ul style="list-style-type: none"> Continuously standardizing and optimizing purchasing processes to build fair, transparent relationships Promoting purchasing that balances compliance, business efficiency and purchasing cost reduction
Society	<ul style="list-style-type: none"> Conducting welfare initiatives for the elderly and people with disabilities Nurturing the next generation of individuals who will carry science and technology forward Supporting employee volunteer activities Contributing to communities where Chugai Group facilities and sites are located
Employees	<ul style="list-style-type: none"> Fostering human assets who are competent in the global arena Building a work environment that is motivating and fulfilling for every employee Building sound labor-management relations Creating safe, pleasant workplaces
Environmental protection and occupational safety and health	<ul style="list-style-type: none"> Promoting global warming countermeasures Pursuing resource conservation and waste reduction Enhancing environmental awareness Making environment-related contributions to local communities Disclosing environmental information Thoroughly managing chemical substances

Main performance indicators in 2011	Page reference
<ul style="list-style-type: none"> • BCG and Human Rights training attendees: 13,164 (includes repeat attendees; Chugai Group in Japan) • Awareness survey respondents: 5,592 • In-house education and training for people who handle laboratory animals: 46 sessions attended by 546 people • State of ethical and legal compliance survey within the Sales Division: Responses received from 2,358 people 	12-13
<ul style="list-style-type: none"> • Launch of Ediol (osteoporosis agent) and Mircera (renal anemia treatment) • R&D expenses/sales: 15.0% (Chugai Group) • Special sponsorship of a cancer charity event: "Medicine and Humor 2011" featuring <i>rakugo</i> storyteller Dansyun Tatekawa (Dec. 23 in Asakusa); participation in Relay For Life • Cumulative number of countries receiving free therapeutic drugs for treating children with lymphangiomas: 75 (program in its 21st year) • Disease awareness activities and co-sponsored events held: 9 • Customer inquiries answered by Chugai's Drug Information Center: 65,923 (includes telephone, e-mail and fax inquiries) 	14-17
<ul style="list-style-type: none"> • Briefings for the media and investors: 15 • Responses made to individual requests for information, such as by securities analysts: 200 • Institutional investors outside Japan visited in person by top executives: 96 • General meeting of shareholders: 471 participants at the Royal Park Hotel in Tokyo on March 24, 2011 • Return on equity (ROE): 7.8% (Chugai Group) • Dividend per share: ¥40 (annual) 	18
<ul style="list-style-type: none"> • Clarified internal roles and responsibilities by restructuring purchasing processes and rules • Promoted fairness and transparency and catalogued indirect materials in the electronic purchasing system • Incorporated new competitive quotation mechanism into the purchasing system 	19
<ul style="list-style-type: none"> • Donation of welfare vehicles to provide transportation for home welfare services: a total of 188 vehicles over 27 years (total of five vehicles to five organizations in 2011) • Video presentations given at Dr. Kitanomaru's Bio Pharmaceutical Laboratory exhibit: 39,029 (January to December, 2011) • Summer Biotech-Lab for Kids at the Japan Science Foundation's Science Museum in Tokyo: 84 participants in lab, 673 at hands-on corner • Employees taking volunteer holiday: 33 • Establishment of endowed course at Waseda University: Total of 15 lectures 	20-21
<ul style="list-style-type: none"> • Future Core Leaders program, HR reinforcement basic programs, Functional Expertise Program and Self-Innovation Program • Number of employees taking childcare leave: 58 • Users of wiiwiw (an online tool that supports employees who return to work after taking childcare leave): 43 (cumulative total) • Percentage of employees with disabilities: 2.02% • Occupational incident rate: 2.27 (No. of occupational injuries and deaths/no. of hours actually worked) X 1,000,000 • Accidents accompanied by lost worktime: 4 (Chugai Group in Japan) • Lost workdays resulting from occupational accidents: 29 (Chugai Group in Japan) 	22-23
<ul style="list-style-type: none"> • Energy consumption per employee compared with 2009: Down 12% (Chugai Group in Japan) • Ratio of hybrid sales vehicles: 44.5% • Amount of waste generated compared with 2010: Down 27.9% (Chugai Group in Japan) • Amount of landfilled waste compared with 2010: Up 23% (Chugai Group in Japan) 	24-31

Commitment to High Ethical and Moral Standards

Embracing high ethical and moral standards in all our activities as a healthcare company

Corporate Ethics Take Priority over Profit

Chugai places paramount importance on respect for life, and pursues fair and transparent corporate activities based on high ethical standards, along with sincere scientific initiatives. This approach is essential for creating trusting relationships with stakeholders and contributing to the sustainable development of society.

When the new Chugai was created in October 2002, the president issued a message to all employees concerning the need to prioritize corporate ethics over profit. The Company published a Mission Statement declaring its path to becoming a company that meets stakeholders' expectations and fulfills its social responsibilities, and also established the Chugai Business Conduct Guidelines (Chugai BCG) to accompany the statement.

To accomplish this mission, all employees of the Chugai Group must share the Core Values of the Company as well as understand and practice the ethical standards necessary to execute the business of a healthcare company.

Chugai is committed to acting in accordance with its Core Values.

Commitment to Ethical Promotional Activities

Pharmaceutical companies have a responsibility to pursue quality, effectiveness and safety in all their operations, from product R&D to sales. They must also rapidly collect and disseminate accurate information on pharmaceuticals in an appropriate manner.

Japan's pharmaceutical industry has voluntarily established a promotion code for the independent marketing of pharmaceuticals. There is also a fair competition agreement that covers the manufacture and sale of pharmaceuticals, which serves to regulate the provision of free drug samples to medical institutions. The Chugai Group actively supports the efforts of the Fair Trade Council of the Ethical Pharmaceutical Drugs Marketing Industry and the Japan Pharmaceutical Manufacturers Association's Promotion Code Committee — the institutions administering the above-mentioned industry rules — and has also gone one step further by establishing and implementing its own code of conduct for pharmaceutical promotion. The Chugai Promotion Code Committee serves as the decision-making body for Chugai's code, and full-time

monitors at the head office and branches ensure proper adherence to the fair competition agreement and the Chugai code. In these ways, we are taking decisive steps to ensure that all of our marketing activities are highly ethical.

Creating a Corporate Culture of Respect for Self and Others

A culture of respect for human rights is a cornerstone for building a company that is accepted and trusted as a member of society. Diversity management and respect for human rights are important parts of the Chugai BCG, which outline a code of conduct based on the Core Values shared by all employees of the Chugai Group.

Chugai's corporate culture is based on respect for self and others. It enables people to do rewarding work with creativity and enthusiasm by promoting respect for diversity and each others' values so that they all can have strong self-esteem and live up to their full potential — that is, it creates workplaces that are free from harassment and infringement of human rights.

A corporate culture that respects human rights allows everyone to make the most of their individual capabilities, thus improving performance. Moreover, by raising awareness of human rights and promoting respect for diversity within Chugai, such a culture helps eliminate discrimination and infringement of human rights in broader society as the Company interacts with the public as a corporation, and through the everyday lives of its people.



The keyword can be translated into English as, "You can respect others if you can respect yourself."



Human rights awareness training

Chugai's View of Animal Welfare

Research using laboratory animals to confirm the safety and efficacy of drugs is essential to the development of the pharmaceuticals that contribute dramatic improvements to human health. At the same time, this research must thoroughly comply with the 3Rs¹ principles. In 1988, the Chugai Group established guidelines on how to treat laboratory animals in research, and has adhered to these ever since, conducting all animal testing in an ethical, scientifically sound manner.

Although these guidelines have been partially revised from time to time, Chugai has consistently practiced ethical animal testing in line with this basic philosophy: "We must consider both ethical and scientific issues when undertaking animal experiments, taking into account ethical issues including aspects of animal physiology, ecology, and behavior as they affect animal welfare, and rearing animals with compassion, respect for animal life, and measures to minimize pain."

In 2005, Chugai reformed its Ethics Committee for the Treatment of Laboratory Animals, which was originally established with the advent of the guidelines, and renamed it the Institutional Animal Care and Use Committee. In addition to further clarifying the lines of responsibility within the Company, we added nonaffiliated voting committee members to ensure objective monitoring of animal testing from the perspective of the general public. At the same time, an institutional qualification program was adopted for researchers and animal handlers involved in animal testing to provide appropriate education and training designed to cultivate ethical animal testing. In 2011, 444 participants took part in annual training courses held six times, and a total of 102 participants took part in six occasional training courses held 40 times.

Since 2005, the committee has been conducting self assessments twice a year to ensure that researchers are following the guidelines, and implements improvements in animal testing to reflect changes in the social environment and scientific advances.

These initiatives have been evaluated by AAALAC International,² a global independent evaluation organization. In 2007 Chugai obtained full accreditation, which was renewed in 2010. Inspection by AAALAC International is repeated every three years, and we will continue our tireless effort to ensure animal welfare.

1. The principles of replacement, reduction and refinement, which are applied in order to ensure animal welfare during research
2. Association for Assessment and Accreditation of Laboratory Animal Care International, a private non-profit organization that promotes the humane treatment of animals in scientific research through voluntary inspection and accreditation programs. More than 850 facilities in 33 countries have been accredited.

Bioethics Initiatives in R&D

Chugai has established Ethical Guidelines for Research that Uses Human-derived Test Material. Chugai has also formed a Research Ethics Committee to ensure that research using human-derived test material is carried out appropriately, with human dignity, respect for human rights, and the understanding and cooperation of society. Half of the members of this committee are from outside Chugai. Of the outside members, more than half are people from the humanities and social sciences, including ethics and law, as well as people with a more general background. The composition and operation of the committee helps to ensure that it is responsive to changes in social conditions while carrying out fair, objective evaluations from an interdisciplinary and pluralistic frame of reference.

In response to the enactment of sweeping revisions to the Japanese government's Ethical Guidelines for Clinical Studies in April 2009, Chugai provides research ethics training and guidance to all researchers on the knowledge required when conducting research, including ethics for research using human-derived test material, to ensure that research is conducted with the highest priority on ethics.



Conduct of Clinical Trials

Clinical trials are essential for verifying the safety and efficacy of investigational products, and they must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patient safety, following stringent scientific methodology based on the highest ethical standards.

The Chugai Group is committed to evaluating the real merit of investigational products using well-established, reputable testing procedures that comply with Japan's Pharmaceutical Affairs Law and other related legislation, as well as the Declaration of Helsinki³ and ICH-GCP⁴, which are global standards.

3. The "Ethical Principles for Medical Research Involving Human Subjects" first adopted at the World Medical Association in 1964. Biomedical research must ultimately include testing on human subjects in order to contribute to healthcare. The 1964 Declaration of Helsinki is the ethical foundation of modern clinical trials. (Source: The Pharmaceutical Society of Japan)
4. Good Clinical Practice (GCP) guidelines adopted by the International Conference on Harmonisation (ICH) for conducting pharmaceutical clinical trials in Europe, the United States and Japan

Initiatives for Stakeholders

Initiatives for Patients and Consumers

Developing and Providing Pharmaceuticals

Chugai Pharmaceutical CSR

Search

Recombinant Human Granulocyte Colony-Stimulating Factor (G-CSF) Neutrogin

Neutrogin: 20 Years of Contributing to Patient Treatment

Neutrogin (lenograstim; also sold under the name Granocyte in Europe and some Asian countries) was launched in 1991, the same year the Japan Marrow Donor Program was established.



Neutrogin

Chugai developed Neutrogin by searching for a compound with glycosylation (weight ratio of about 4%) and amino acid composition (174 amino acids) identical to that of human G-CSF and applying genetic recombination technology. Neutrogin remains the only glycosylated recombinant human G-CSF. It is produced as a freeze-dried powder (in a colorless transparent vial) for superior product stability, and is the only G-CSF that can be stored at room temperature.

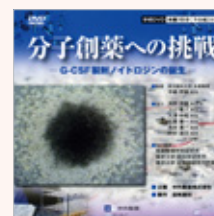
Before Neutrogin became available, there was no effective method to protect patients from infections caused by chemotherapy or hematopoietic transplantation. Neutrogin protects against infections resulting from neutropenia, a reduction in neutrophils* that is a frequent side-effect of chemotherapy, bone marrow transplantation, peripheral stem cell transplantation and similar treatments. The use of Neutrogin has expanded with advances in chemotherapy, hematopoietic cell transplantation and other such therapies because it aids the success of these primary treatments. By shortening the duration of neutropenia and promoting the recovery of neutrophils, Neutrogin reduces the period of infection risk by half, thus enabling planned treatment. In addition, it is highly valued by care facilities because it helps to lighten the burden on healthcare professionals caring for patients who require extended stays in sterile rooms.

* Approximately 60 percent of all white blood cells are neutrophils, a type of granulocyte. Neutrophils are phagocytes that engulf and digest bacteria and other pathogens that invade the body. They act as the first line of defense against bacterial infections.

20th Anniversary Event Reaffirms Neutrogin's Value

Neutrogin is mainly prescribed at hospitals rather than by private practitioners in Japan. In part because doctors often move among hospitals, Chugai has worked to ensure that the relationships between prescribing doctors and medical representatives (MRs) are passed on to their successors, like a baton in a relay race. One of the challenges for oncology MRs and younger MRs, who deal with many core products, is how to pass the baton.

Therefore, Chugai carried out a "Neutrogin Letter Operation" to commemorate Neutrogin's 20th year on the market. Former Neutrogin MRs wrote letters to physicians who have prescribed Neutrogin up to now, thanking them for the past 20 years. Current MRs then handed these letters to the doctors. In total, more than 2,500 letters were delivered. Many MRs reported that doctors were delighted to read the letters and told nostalgic stories while giving MRs an opportunity to refresh their awareness about Neutrogin. This activity helped to connect current MRs with Neutrogin's history, and reaffirmed its value and the relationships of trust with doctors that former MRs had established.



To commemorate the product's 20th anniversary, Chugai produced a booklet and DVD entitled "The Challenge of Developing a Biomolecule Drug" revealing the story behind the drug's creation, the fruition of 17 years of effort and strong teamwork among people in different fields based on collaboration between industry and academia. The booklet and DVD were presented at medical offices, seminars and other events, garnering positive feedback.

Comments from Staff

We support MR information provision to help the overall treatment succeed.

At the time Neutrogin was launched, a bone marrow transplant was the only method of hematopoietic cell transplantation available, but Neutrogin contributed to the development of peripheral blood stem cell and cord blood transplantations, which are performed clinically today. These stem cell transplants would be impossible without Neutrogin.

We provide specific support for MRs by mapping out information strategies to help them inform doctors about the benefits of Neutrogin, which combines high activity with excellent stability. Transplant therapy in particular involves nurses, pharmacists and many other professionals in addition to doctors, so we also focus on providing useful information, support tools and events that will contribute to their work.

Kiyoto Yamada, Neutrogin Product Manager
Hematology & Supportive Care Group, Lifecycle Management Dept. 1
Lifecycle Management & Marketing Unit

Enka Ho, Leader
Group 4 (Hematology & Supportive Care), Oncology Sales Promotion Dept.



Increasing Product Reliability

A Global-Standard Regulatory Compliance and Quality Assurance System

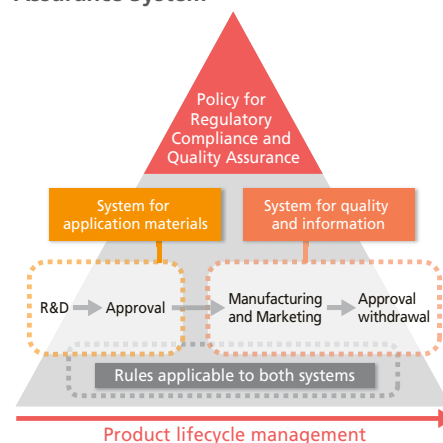
Chugai works hard to supply high-quality medicines and pharmaceuticals of superior efficacy and safety to healthcare providers around the world, and strives to ensure timely and accurate delivery of quality information on the proper use of its products.

Chugai's fundamental views on reliability assurance are stated in the policy for regulatory compliance and quality assurance and in the regulatory compliance and quality assurance system, both of which came into effect in October 2007. This policy and system are based on our Mission Statement, which encompasses the Chugai Group's mission, Core Values, and Envisioned Future, and on the Chugai BCG, which outline our code of conduct.

Chugai Pharmaceutical CSR

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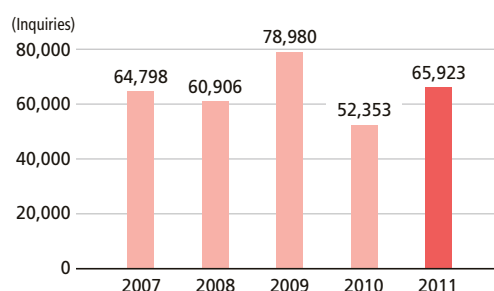
Regulatory Compliance and Quality Assurance System



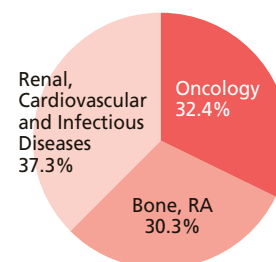
Drug Information Center

The Drug Information Center received approximately 65,000 telephone inquiries in 2011. Inquiries from outside the Company increased about 26 percent from 2010. There was an increase in inquiries about Rivotril, Renagel, Ulcermin and other products for which shipping adjustments were made due to the Great East Japan Earthquake, as well as Mircera, Ediol, Avastin, Herceptin, Xeloda and Pegasys, which were launched or obtained approval for additional indications. We received fewer inquiries about Tamiflu than in an average year because there was little seasonal influenza activity from January through March 2011. All of the center staff will continue striving to respond to every customer in a timely manner.

Number of Inquiries Received by the Drug Information Center



Inquiries by Treatment Area (2011)



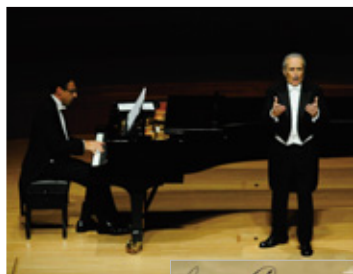
Chugai Launches Disease Awareness Website for Rheumatoid Arthritis (RA)

In January 2011, Chugai launched a disease awareness website for rheumatoid arthritis (RA) (<http://chugai-ra.jp/>) (Japanese only) as part of its efforts to inform people about RA. The site utilizes diagrams, graphs, charts, illustrations and photographs to provide clear explanations on topics including basic information about the disease and treatment methods. Our aim is to help the general public and patients understand the importance of early treatment and to encourage patients undergoing treatment.



The popular animated character Heidi, Girl of the Alps, helps users navigate the site.

Contributing to Patient-Centered Healthcare



Supporting Bone-Marrow Transplantation (José Carreras Tenor Recital)

Chugai was a special co-sponsor for a charity concert entitled "Volunteer for Life: José Carreras Tenor Recital *Sogno*" held in Tokyo on November 29, 2011.

This was the eighth time that this charity concert has been held since the first one in 1993. The concert supports and helps patients suffering from blood diseases such as leukemia by assisting the activities of the Japan Marrow Donor Program and the José Carreras International Leukaemia Foundation. Support for recovery from the Great East Japan Earthquake was also added as a charitable cause of the 2011 concert, and a portion of ticket sales were donated to recovery efforts.

At the recital, Mr. Carreras sang a total of 22 songs including the encores, many of them his favorite Italian songs and folk songs. More than 20 years have passed since Mr. Carreras made a comeback as one of the world's great opera singers after a remarkable recovery from leukemia. His delicate, passionate voice captivated the audience.

Fundraising activities for the Japan Marrow Donor Program and earthquake recovery support also took place on the day of the recital.

Supporting Cancer Patients

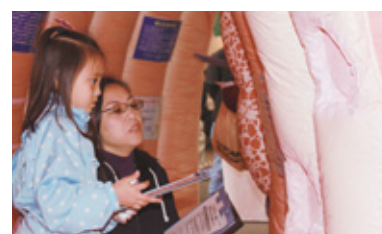
Chugai participates in and sponsors various activities to support cancer patients and their families.

On December 23, 2011, Chugai served as a special sponsor of the anti-cancer charity event "Medicine and Humor 2011." First held in 2005, the event is organized by an executive committee composed of members from patient associations and support organizations and by Nippon Broadcasting System, Inc. In 2011, it once again featured a medical lecture, and a one-man show by a *rakugo* storyteller. The event promoted correct knowledge about cancer and made people aware of patient associations, with the aim of creating a society in which no one has to face cancer alone.

Since 2007, Chugai employees have participated as volunteers in the Relay For Life, a 24-hour walk-a-thon by patients, their families and supporters. In 2011, 549 employees participated as "Team Chugai" at 22 locations throughout Japan. At 11 of these locations, Chugai set up an exhibit to educate visitors about colon cancer. In addition, Chugai co-sponsored the Pink Ribbon breast cancer awareness campaign nationwide, and informed many people about the necessity of cancer screenings and the importance of early diagnosis and treatment.



Chugai sponsored the anti-cancer charity event "Medicine and Humor 2011" featuring *rakugo* storyteller Dansyun Tatekawa.



The Giant Colon was displayed at the Pink Ribbon and Cancer Panel Exhibit.



Chugai Group employees participated as volunteers in the Relay For Life.



A laboratory class for children was held in a tent outside the Nagaizumi event hall near Fuji Gotemba Research Laboratories in Shizuoka Prefecture.



Roche 2011 Children's Walk



Children's Walk participants near Chugai's head office

The Chugai Group participated in the Roche 2011 Children's Walk, a global charity event, and collected donations from June 1 to 16, 2011. The Children's Walk raises funds to help children in the Republic of Malawi, Africa who have been orphaned by AIDS or for other reasons, and children in need of support around the world. More than 3,300 Group employees helped raise a record amount at the event in 2011. Each year, these funds are matched by Chugai.

Of the total amount raised in the 2011 Children's Walk, Chugai donated approximately ¥4.3 million for the construction of the Tohoku Rainbow House, a facility that the organization Ashinaga plans to build to support children orphaned by the Great East Japan Earthquake. Donations were also made through Roche to assist orphaned children in Malawi, the original purpose of the Children's Walk.

NPO Shuhei Ogita Fund Supporting Patients with Lymphatic Malformations

For 20 years Chugai has provided Picibanil, an anti-cancer agent and agent for treating lymphangiomas¹ free of charge, to children worldwide suffering from incurable lymphatic malformations, working with the non-profit organization Shuhei Ogita Fund (<http://www.fund-ogita.org/>). In 1986, Dr. Shuhei Ogita, then a pediatric surgeon at Kyoto Prefectural University of Medicine, found that local injection of Picibanil produced remarkable results in patients with lymphatic malformations, which until then had only been treatable with an extremely difficult surgical procedure. With that discovery, he set up the Little Carlos Fund² to help children outside Japan suffering from lymphatic malformations. In honor of his achievements, and to abide by his wishes, it was renamed the Shuhei Ogita Fund in 2003, the year of his passing. The fund's activities are being carried out to make the treatment equally available to children around the world who suffer from this disease, regardless of their local medical situation or financial difficulties.

1. A rare disease in which lymphatic fluid abnormally pools in the lymphatic vessels and makes cysts in parts of the body. In many cases, it is found at birth. Unlike cancer, lymphatic malformations are benign, but can retard children's development, and occasionally the cysts compress the respiratory tract and become life-threatening.
2. A fund established by Dr. Ogita in 1992 after he learned about the travel expenses a family from Mexico had to come up with to get Picibanil local injection therapy for their 14 month-old boy Carlos.

Chugai Academy for Advanced Oncology Holds International Forum

The International Academy for Advanced Oncology (IAAO) 2011, the largest event of the Chugai Academy for Advanced Oncology³ (CHAAO), took place on July 29 and 30, 2011. The main topic of this forum was "Clinical development strategies for personalized cancer care." Ten doctors who are global authorities in the field of oncology gave impassioned lectures on subjects such as the latest information on personalized healthcare and development strategies for anti-cancer agents. In the question-and-answer session that followed, the questions from participants sparked such vigorous discussion that the event ran past the scheduled time.

CHAAO is in its third year. In addition to the core international forum, it also co-hosts the Focus Symposium on specialized topics; supports academic and research societies in basic research fields; and has established the JCA-CHAAO Award presented at the annual meeting of the Japanese Cancer Association. Through the steady progress of these and other programs, CHAAO is gaining recognition among oncologists. CHAAO will continue its efforts to help raise cancer treatment in Japan to a world-class level.



3. Established in October 2009 to contribute to the establishment and advancement of infrastructure for cancer treatment in Japan. To bring cancer treatment in Japan to a world-class level, CHAAO promotes deeper academic exchange between the world's top specialists in oncology and healthcare professionals who play a leading role in cutting-edge research and treatment of cancer in Japan.

Initiatives for Shareholders and Investors

Ensuring accountability by securing management transparency

Chugai Pharmaceutical CSR

Search

General Meeting of Shareholders

On March 24, 2011, the Company's 100th annual general meeting of shareholders was held at the Royal Park Hotel in Tokyo. After an audio-visual presentation of the business report, all four items on the agenda, namely, the disposition of surplus, election of directors, election of corporate auditors, and appointment of independent auditors, were discussed and approved by a majority vote.

This general meeting took place just two weeks after the Great East Japan Earthquake, amid ongoing aftershocks and planned power outages. Nevertheless, 471 people – most of them individual shareholders – attended the meeting, which lasted 1 hour and 12 minutes.

Matters of particular interest to shareholders included the impact of the earthquake, Chugai's support for the affected area, and the status of the development pipeline.



IR top page

Webcast



Annual report

Enhancing Investor Understanding

Information Disclosure on Website

Chugai uses its website to ensure prompt and fair disclosure of information to its shareholders and investors. Information provided online includes news releases, financial statements, new product development status, briefing materials, annual reports and IR calendars. In particular, with the convenience of individual investors in mind, the Company also notifies investors by e-mail when the IR website has been updated with news releases and other information.

Briefing materials and other IR information are released simultaneously in Japanese and English via the Company website and e-mail to ensure fair information disclosure to investors both in and outside Japan.

Briefings on Business Performance

Chugai holds briefings and conference calls for analysts and investors when it announces results for each quarter to directly explain the Company's performance. In October 2011, Roche Diagnostics K.K. and Chugai co-hosted a personalized healthcare (PHC) seminar and explained planned initiatives on PHC. Chugai also posts webcasts of these events on the Company website as part of its efforts to provide ample information to stakeholders.

Moreover, Chugai's top executives are committed to communicating directly with overseas investors and regularly travel outside of Japan for this purpose. In 2011, as usual, they visited Europe, the United States, and Asia. In addition to participating in securities companies' conferences for enhancing IR activities, Chugai holds information meetings for individual investors at branches of securities companies in various regions of Japan to provide them with fuller information.

Recognition from Socially Responsible Investment Institution

Chugai is listed on the FTSE4Good Index Series, which includes companies that meet globally recognized standards in the area of socially responsible investment (SRI). The FTSE4Good Index Series is maintained by the FTSE Group in the UK, which offers a variety of investment indices. This index series tracks the stocks of about 2,400 listed companies in 23 countries worldwide.



Working with Business Partners

Building fair, transparent relationships as equals,
and strengthening cooperation

Initiatives for Building Fair, Transparent Relationships

The Chugai Group emphasizes cooperation with its business partners and works on a daily basis to promote various initiatives to ensure fair and transparent relationships with them as equals.

In 2011, we restructured our electronic purchasing system, which we introduced in 2005 as an optimal mechanism for building fair and transparent business relationships. In addition, we have been standardizing and optimizing our process for purchasing indirect materials, such as office supplies, to ensure healthy competition.

Purchasing Policy

The Chugai Group's purchasing policy is designed to build fair and transparent relationships with business partners and strengthen cooperation with them.

Chugai Group Purchasing Policy

Ethics, compliance with laws and regulations

Comply with laws and regulations, social norms, Chugai Business Conduct Guidelines (BCG), and Chugai ethical purchasing standards to conduct fair purchasing activities and healthy business transactions.

Impartial, fair, open policy

Provide the opportunity for Japanese and overseas business partners to conduct business with Chugai openly, impartially, and fairly regardless of management size or trading performance.

Environment

Promote procurement activities that take into account the global environment by conducting green procurement with our business partners.

Quality

Respect the spirit of GMP and pursue high quality and safe material alongside our business partners.

Cost

Set appropriate prices and promote lower costs by considering volume discounts realized through the consolidation of business partners as well as the change of business partners.

Mutual trust and growth, protect intellectual property

Fulfill our obligations faithfully under the contracts with our business partners, establish equally cooperative relationships, and aim for mutual growth. Do not disclose confidential information related to business transactions to third parties without the relevant supplier's permission.

Select and evaluate business partners

Select business partners based on an overall objective evaluation of their quality, price, timing, information, stable supply of material and products, and consideration towards social responsibility.

Chugai Ethical Purchasing Standards

The Chugai ethical purchasing standards outline the principles for ethical conduct for all companies and individuals participating in its purchasing process in order to build and maintain sound transaction relationships with business partners. For example, the standards specify actions that should be taken with regard to gifts and invitations for entertainment, including dining together.

Gifts

Any gifts that are offered must be declined, and the incident must be reported to the head of the organization concerned. Any gifts received by delivery must be returned with a polite letter of decline. However, generally distributed promotional articles, such as hand towels, calendars and datebooks, may be accepted within commonly accepted limits.

Entertainment

Any offers of entertainment, including dining together, must be declined, and the incident must be reported to the head of the organization concerned.

Initiatives in 2011

In 2011, the Chugai Group continued to balance compliance, business efficiency, and cost reduction in its purchasing activities. Based on our experience in purchasing, we have restructured the purchasing processes — rules and work flow — so that each process corresponds with the characteristics of each particular commodity group and transaction type.

In addition, we restructured our electronic purchasing system, which we introduced in 2005, as a purchasing workflow system to further strengthen compliance in areas such as filing and approval rules, and to improve efficiency through shared operations. We also continued to reduce costs with the cooperation of everyone concerned.

We will continue our efforts to conduct purchasing activities that maintain a good balance of compliance, operational efficiency, and cost reduction.

Initiatives for Society

Conducting social contribution activities to grow with communities

Hosting of Russian Observation Group

On September 28, 2011, 21 trainees from Russia (pharmaceutical company managers, production, quality control and marketing staff, government officials and others) visited Fuji Gotemba Research Laboratories. Their visit was part of the fiscal 2011 pharmaceutical industry (Europe-Russia) on-the-job training program to provide technical assistance to Russia. The objective of this program is to cultivate the future leaders of the Russian economy and to discover and develop people with the potential to contribute to business between Japan and Russia. This was the first program organized for the pharmaceutical field. Led by the International Nursing Foundation of Japan, with cooperation from the Japan Pharmaceutical Manufacturers Association and five pharmaceutical companies including Chugai, the program centered mainly on a lecture program and facility tours. At Chugai, the trainees attended lectures on research and development of cancer therapies and biopharmaceuticals, followed by a tour of research facilities. Their strong interest was evident in their many enthusiastic questions about the latest pharmaceutical developments.



Lecture at Fuji Gotemba Research Laboratories

Chugai Establishes Endowed Course on Medical Treatment at Waseda University

In September 2011, Chugai established an endowed course at Waseda University in Tokyo. Entitled "Challenges on the Front Lines of Medicine Today: Facing Medical Issues Proactively," it consists of 15 lectures on the theme of medical treatment, particularly cancer treatment.

The course focuses on cancer, the leading cause of death among Japanese people. It includes guest lectures on the current state, challenges and future of oncology presented by some of Japan's leading physicians and researchers, and securities analysts. The course also includes lectures by Chugai employees on initiatives at pharmaceutical companies, such as research, development and the activities of medical representatives.

The more than 280 Waseda students who have taken the course to date were intellectually stimulated by the graphic presentations. Chugai hopes that the course will spark students' interest in medical treatment and pharmaceuticals and encourage them to proactively confront medical issues, which are a social challenge, from various perspectives.



Lecture on research and development



Hisafumi Okabe
Executive Officer
General Manager of Research Div.

Environmental Protection Activities

In summer and fall 2011, Chugai participated in Tokyo Greenship Action, sponsored by the Tokyo Metropolitan Government. In this program, businesses, non-profit organizations and the Tokyo Metropolitan Government work together to preserve the natural environment in nature conservation areas in Tokyo.

At the Higashi Toyoda conservation area in Hino City, participants from Chugai joined with other businesses and non-profit organizations for an out-of-the-ordinary experience, wielding grass shears, sickles and saws — tools they seldom have a chance to use — to cut the dense underbrush and trim the overgrown trees.

Doing this kind of work on an ongoing basis lets sunlight into the forest, allowing diverse vegetation to grow in abundance. Children who participated enjoyed making toy guns from bamboo and original hand towels, which they dyed using leaves.

After the work, a volunteer from a non-profit organization talked about *satoyama* (undeveloped woodland near populated areas), and the participants got to know each other better at an informal get-together.



Cutting bamboo grass



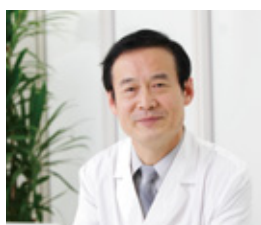
Hands-on corner

Summer Biotech-Lab for Kids

In August 2011, Chugai hosted the Summer Biotech-Lab for Kids at the Science Museum of the Japan Science Foundation with the co-sponsorship of the foundation and the cooperation of Leave a nest Co., Ltd. This experimental classroom is intended to show children that science can be fun. A total of 84 children were chosen by lot out of 637 applicants to participate in the program. One of the children said, "It made me want to know more about DNA and cells," and one of their guardians remarked, "It was a valuable experience. Both the parents and children are thankful for the opportunity to do serious experiments that couldn't be done at school."

In addition, 13 volunteers from the Chugai Group explained the body's mechanisms and cell functions to 673 visitors at a hands-on corner set up in the museum. The enthusiasm of the volunteers prompted comments such as "I was impressed by their sincere attitude toward social contribution activities."

Comments from Volunteers



I learned that children are very inquisitive.

Recently, many children seem to be living in a fantasy world of video games, but I applied to volunteer because I wanted to know how much interest children have in science. I was deeply impressed by the earnest expressions on their faces as they took cells from the mucus membranes of their mouths and stared at the microscope monitor, and how they listened intently to the explanations about cells. It was a very useful experience because it made me realize that children's scientific inquisitiveness is very strong.

Zhang Wei, Marketing & Sales Coordination Dept.



I look forward to the birth of great researchers.

This time we had the children play "detective" to investigate the mechanisms of the body through quizzes, hands-on experience and games. They asked many questions and listened eagerly to my explanations, which made it a pleasure. During those two days, more than 600 great detectives were born. I hope that sparking children's interest in science will lead to the birth of great researchers in the future.

Takahito Kaneko, Research Business Support Dept.

Working with Employees

Stepping up efforts to augment our human capital to become a top Japanese pharmaceutical company

People are an invaluable asset in generating a company's growth and development. Based on that fundamental principle, Chugai is restructuring its human resource management system to become a top Japanese pharmaceutical company.

Promoting Diversity to Enable All Employees to Realize Their Potential

Promoting diversity to enable all employees to work with enthusiasm and create new value regardless of gender, age, nationality or other characteristics is a management priority at Chugai. We are starting with the most familiar type of diversity, gender diversity.

From October 2010 to June 2011, a management working team headed by the president studied current challenges, objectives and measures concerning gender diversity. The team shared the results of an awareness survey, discussed future directions and reported the content of their discussions.

In parallel with the activities of the working team, we positioned 2011 as a year for introducing and promoting proper understanding of gender diversity. Following the 2010 CHARM Forum for female MRs, we held similar forums throughout the Company, from the Pharmaceutical Technology Division and the Clinical Development Division down to the plant and branch level. In 2012, we will focus on review and awareness-building by creating environments and systems that enable individual employees and organizations to think about diversity and ways of working.

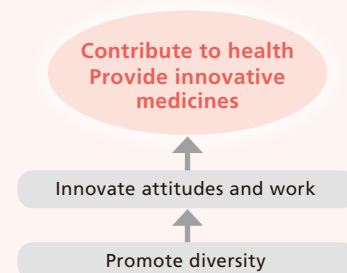


Sales Division CHARM Subcommittee



Pharmaceutical Technology Division Forum

Our Vision for Diversity



Systems and Frameworks to Support Life Events

- Transfer assistance plan to allow MRs to live with their spouse after marriage
- wiwiw, an online tool that supports employees who return to work after childcare leave
- Husband's time off for childbirth
- Kids' Square Nihonbashi Muromachi, a consortium-managed childcare center
- Childcare leave system
- Commuting by Shinkansen due to marriage, spouse's transfer or nursing care
- Reduced working hours for childcare
- Nursing care leave
- Child nursing leave
- Long-term nursing care leave
- Flexible working hours for child care
- Reduced working hours for nursing care
- Suku-Suku Square: website to assist nurturing of the next generation
- Registration program for rehiring retired employees

Comments from Staff

Career Support Systems for Female Employees and Events to Help Them Think about Their Careers

The ultimate goal of these activities is to enable employees to flourish in any situation, regardless of gender. To create an environment in which women can succeed, we have internal systems and frameworks in place for career and life event support so that women can get married, give birth and raise children without giving up their jobs.

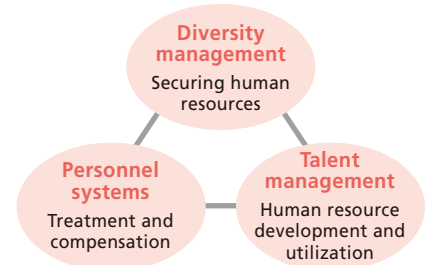
In addition, we have held a total of 11 forums and subcommittee meetings where female employees from different jobs and workplaces discuss common topics while thinking about their careers. These forums were an effective opportunity for women who want role models and helpful information networks.

Setsu Kawata, Group Manager, Career Support, Human Resources Management Department

Nobuhito Ikeda, Group Manager, Planning & Labor Management, Human Resources Management Department



Human Resource Strategy to Realize Our Vision of Becoming a Top Japanese Pharmaceutical Company



Talent Management According to Each Person's Capabilities and Aptitude

At Chugai, opportunities including on-the-job training, off-the-job-training and self-development, compensation, career development, and reassignment and promotions are linked organically so that human resource development can be conducted on a daily basis.

For the last several years, we have been implementing the Chugai FCL (Future Core Leaders) program aimed at mid-to-long-term continuous development and advancement of future core leaders at each level. The FCL program was conducted in synergy with Chugai's HR reinforcement basic programs. The newly adopted talent management system follows the FCL concept, but instead of being a uniform program, this system applies necessary programs only to the people who need them in order to further strengthen human resource development. Each employee receives training based on a proper assessment of his or her capabilities and aptitude. In other words, we provide the appropriate programs to those who need them according to their expected roles. This approach increases the effectiveness of the programs. The purpose of the talent management system is to support the systematic, continuous development and production of the next generation of leaders and core talent while strengthening human resources and increasing motivation throughout the Chugai Group.

From October through December 2011, we explained the new system in 24 information meetings for approximately 740 manager-level employees. As the first step, in 2012 we will draw up a human resource development plan and begin preparing for its implementation.

Three Goals of the Talent Management System

Goal 1

Formulate and implement human resource development plans according to the capabilities and aptitude of individual employees

Goal 2

Build and manage a talent pool from which to select successor candidates

Goal 3

Formulate and implement a succession plan to serve as a framework for evaluation, selection, development and assignment

Personnel Systems That Help Our Diverse People Succeed

Chugai has established various personnel systems to create a vibrant work environment that provides employees with an array of options for choosing their individual career paths and becoming more self-reliant. All systems are open to employees. Participants in management training improve their skill at interviewing subordinates and receive guidance on how to give explanations that will convince subordinates.

In addition, in light of the introduction of the diversity and talent management systems in 2012, we are reforming the personnel systems that support the aspirations of individual employees.

Environmental and Safety Initiatives

Basic Position on Environmental Protection and Safety

Basic Position on Environmental and Safety Activities

In December 2011, Chugai reviewed its Guidelines for the Assurance of Environmental Protection and Safety established in 2007 and replaced them with two new sets of guidelines: Guidelines for Health and Safety, which includes employee health management in occupational safety, and Guidelines for Environmental Protection, which encompasses activities such as environmental and safety audits and waste disposal.

Similarly, we reassessed the Chugai Environmental and Safety Charter and the Chugai Environmental and Safety Policy, and redefined the Chugai Environmental Policy as our guidelines for action from 2012.

We aim to strengthen our environmental and safety initiatives by doing more than simply conducting business activities: We will operate with consideration of our impact on the various environments around us, from the perspective of individual employees.

Chugai Environmental Policy

We believe the supreme value to the future of “one and only Earth” and, therefore, we continue our efforts to reconcile our business activity with nature and the environment.

Regulatory Compliance

The Chugai Group complies with all legislation and regulations, internal regulations and self-imposed standards relating to environmental protection.

System to Facilitate Action

Each year the Chugai Group sets an environmental action plan and goals, and is continuously working to protect the environment.

Environmental Protection Activities

To minimize its impact on the environment, the Chugai Group works to prevent global warming, conserve resources, reduce waste and prevent environmental pollution at every stage of the product lifecycle, from research and development to manufacturing, transportation, marketing and disposal.

Education and Training

The Chugai Group provides regular education and training to its employees to deepen their knowledge and appreciation of environmental protection.

Information Disclosure

The Chugai Group actively discloses information about its environmental protection activities both internally and externally and works to improve communication with communities.

Framework for Promoting Environmental Protection Activities and Health and Safety



Environmental and Safety Action Plans and Performance

Chugai Pharmaceutical CSR

Search

2011 Action Plans and Performance

Note: The plan for 2012 is posted on the Company website.

Scope of operations covered: Chugai Group in Japan Period covered: January 1, 2011 to December 31, 2011

Evaluation: ○ Goal achieved △ Goal 75% or more achieved × Goal less than 75% achieved

Item	2011 goal or mid-term plan	2011 result	Evaluation
Global warming countermeasures			
Achievement of the reduction target for CO ₂ emissions	Reduce energy consumption per employee by 10% from the 2009 level by 2014	Reduced energy consumption per employee by 12%	—
Promotion of CO ₂ emissions reduction projects to achieve the 2014 goal	Implement CO ₂ emissions reduction measures to achieve the 2014 goal	Confirmed implementation of CO ₂ reduction measures and revised project plans as necessary	○
Introduction of more hybrid vehicles in MR fleet	Introduce at least 100 hybrid vehicles in 2011	Introduced 160 hybrid vehicles in 2011	○
	Achieve a hybrid vehicle ratio of 50% or more by the end of 2012	Hybrid vehicle ratio of 45.5% in 2011	—
	Report evaluation of results of using electric vehicles introduced on a trial basis	Reported evaluation of results of electric vehicle use	○
Use of Green Power Generation	Introduce photovoltaic power generation of 100 kW or more by the end of 2012	No photovoltaic power generation introduced in 2011 (cumulative total existing: 60kW)	—
	Review continuation/additional purchase of Green Power Certificates	Purchased Green Power Certificates for 3,250,000 kWh during the year	○
Waste reduction			
Reduction in the amount of waste generated	Limit the amount of waste generated in 2011 to the 2010 level	Decreased by 28% from the 2010 level	○
Reduction in the amount of landfilled waste	Limit the amount of landfilled waste in 2011 to the 2010 level	Increased by 23% from the 2010 level	×
Resource conservation			
Reduction in the amount of PPC paper purchased	Reduce the amount of PPC paper purchased in 2011 by 5% from the 2010 level	Decreased by 3.5% from the 2010 level	△
Improvement in the recycling ratio of PPC paper	Achieve a recycling ratio of 90% or higher for PPC paper in 2011	Achieved a recycling ratio of 81% for PPC paper in 2011	△
Environmental awareness enhancement			
Qualitative improvement in CEMS*	Perform internal environmental and safety audits at plants, research laboratories and 4 branches in Japan	Performed internal environmental and safety audits at 2 research laboratories, 1 facility and 3 branches in Japan	○
	Implement planned, periodic environmental education and training, and activities to enhance environmental awareness	Implemented training including for new employees and internal environmental auditors	○
	Smoothly implement PDCA cycle for environmental protection at all Group facilities	Conducted activities following the PDCA cycle at all Group facilities	○
Retention and renewal of ISO 14001 certification	Successfully retain and renew ISO 14001 certification at all the accredited plants	Successfully retained and renewed ISO 14001 certification at 3 plants	○
Environmental information disclosure			
Disclosure of environmental performance data	Make environmental accounting information more efficient and detailed (Group-wide data compilation)	Made environmental accounting information more efficient and detailed	○
	Disclose and enhance scope of environmental information on websites	Posted detailed environmental information on websites	○
Chemical substance management			
Thorough management of chemical substances	Thoroughly implement chemical substance management guidelines	Revised and promoted Group-wide chemical substance management guidelines	○
	Study reduction of atmospheric emissions of VOCs	Promoted upgrading and retirement of VOC-emitting equipment	○
Safety and disaster prevention			
Thorough implementation of safety and disaster prevention measures	Enforce Chugai Group Occupational Health and Safety Code of Conduct Zero accidents	4 accidents accompanied by lost worktime and 29 lost working days were reported	×

* Chugai Environmental Management System

Initiatives to Prevent Global Warming

Chugai is undertaking initiatives to prevent global warming by reducing energy consumption and working to prevent the release of fluorocarbons.

Reducing Energy Consumption

In 2010, the Chugai Group set the goal of a 10 percent reduction of energy consumption (gigajoules (GJ) per employee) in 2014, compared with the 2009 level. The Group has been taking steps toward achieving that goal.

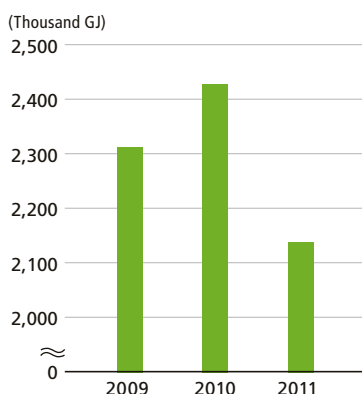
Energy consumption in 2011 was 2,137,495 GJ (315 GJ per employee), a decrease of 174,491 GJ (41 GJ per employee) from the 2009 level of 2,311,986 GJ (357 GJ per employee).

By type of energy, electricity consumption decreased 15 percent compared with the previous year, partly in response to a government request to curb power use following the Great East Japan Earthquake. On the other hand, heavy oil consumption increased 31 percent due to the increased operating rate of heavy oil boilers resulting from the use of self-generation at facilities to curb power use during the summer and the shutdown of a refuse-derived fuel (RDF) boiler* at Fuji Gotemba Research Laboratories.

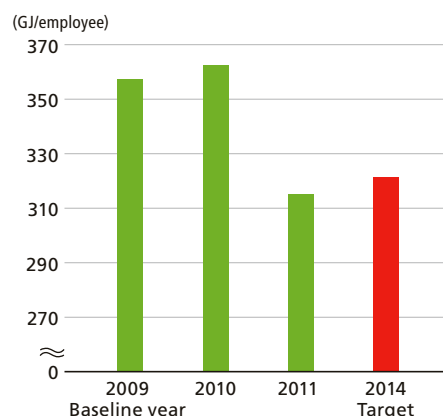
Other factors affecting energy consumption included ongoing energy-saving measures at each facility, the closure of the Kamakura plant at the end of 2010 and the start of full-scale operation of a new solid-form drug facility at the Fujieda plant of Chugai Pharma Manufacturing Co., Ltd.

*A specialized boiler fueled by combustible waste that has been pre-processed, dried, shredded and sorted, then chemically treated, compressed and solidified into pellet form.

Total Energy Consumption



Energy Consumption per Employee



Discontinuation and Replacement of Halogenated Hydrocarbons

Many halogenated hydrocarbons, which are used mainly as refrigerants, have a global warming potential several thousand times that of CO₂, so the leakage of even small amounts of these gases can have a significant impact on global warming. Therefore, by 2020 the Chugai Group will eliminate equipment that uses chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs), which also deplete the ozone layer. In the meantime, we will strictly limit the amount of CFCs and HCFCs refilled due to leakage to less than one percent annually. The total amount of CFCs and HCFCs filled in 2011 was 9,233 kg, an 11 percent decrease from 10,397 kg in 2010. The amount to be filled in 2012 is expected to be approximately 8,200 kg.

Results of Electric Vehicle Use

The results of the Chugai Group's use of electric vehicles introduced in 2010 are as follows.

Report on Results of Electric Vehicle Use

Vehicle type: i-MiEV

Number of vehicles: 3

Locations of use: Kamakura Research Laboratories,
Fuji Gotemba Research Laboratories,
Fujieda plant of Chugai Pharma
Manufacturing Co., Ltd.



Range per charge: Generally 80-100 km (80 km on roads with many uphill sections, up to 120 km on roads with many downhill sections)

Advantages: No fueling necessary
High environmental performance rating

Disadvantages: Less noticeable to pedestrians
Lack of charging infrastructure
Lights, heater and windshield wipers use a large amount of electricity
Battery runs down if user forgets to turn off the power

Conclusion: Longer range and improved infrastructure are essential

Power-Saving Measures

As a result of the effects of the Great East Japan Earthquake, the Japanese government invoked Article 27 of the Electricity Business Act, which restricts power use. Power users in the Tokyo Electric Power Co., Inc. and Tohoku Electric Power Co., Inc. service areas were asked to reduce their peak power use by 15 percent or more compared with the previous year for specified hours over a set period.

In response, the Chugai Group set the goal of reducing peak power use by 15 percent at four facilities classified as large users (with contracts for 500 kW or more) — the Ukima site, Kamakura Research Laboratories, Fuji Gotemba Research Laboratories, and the Utsunomiya plant of Chugai Pharma Manufacturing Co., Ltd. — and three facilities classified as small users (less than 500 kW), including the East Japan Distribution Center of Chugai Distribution Co., Ltd. In addition to taking concrete measures, such as reducing lighting, encouraging warm-weather business attire (summer room temperatures were set at 28° C), partial shutdown of building equipment such as water heaters and elevators, concentration of goods stored in refrigerated warehouses, and use of self-generation during peak demand hours, the Chugai Group also called for power-saving at sites outside the Tokyo Electric Power and Tohoku Electric Power service areas, and for employee cooperation in power-saving at home.

As shown in the table below, the Chugai Group cut peak power use at the four facilities subject to the restrictions by 22 percent compared with the previous year, and reduced the total amount of electricity purchased by these large users from July through September by 5,382 MWh (16 percent). Moreover, total power use at small-user facilities decreased 102 MWh (24 percent).

Peak Power Use during the Period Specified in Article 27 of the Electricity Business Act (kW)

Facility	Benchmark (Note) (kW)	Use limit (% of benchmark)	Use limit (kW)	Peak power use (kW)	Reduction target (%)	Reduction vs. benchmark (%)
Ukima site	8,380	100	8,380	6,150	15	27
Kamakura Research Laboratories	3,500	85	2,975	2,757	15	21
Fuji Gotemba Research Laboratories	2,790	85	2,372	2,320	15	17
Utsunomiya plant	6,200	100	6,200	5,090	15	18
Total of four large-user facilities	20,870	—	19,927	16,317	—	22

Note: Peak power use in the baseline year of 2010

Amount of Power Purchased

Facility	Amount purchased July-Sept. 2010 (MWh)	Amount purchased July-Sept. 2011 (MWh)	Amount of reduction in 2011 vs. 2010 (MWh)	Rate of reduction (%)
Ukima site	12,635	10,635	2,000	16
Kamakura Research Laboratories	5,038	4,294	744	15
Fuji Gotemba Research Laboratories	4,569	3,744	825	18
Utsunomiya plant	10,950	9,136	1,814	17
Total of four large-user facilities	33,192	27,810	5,382	16
Total of three small-user facilities	429	327	102	24

Comment from Manager

We will continue to promote power-saving and energy-conscious business activities.

Our mission as a pharmaceutical manufacturer is to provide stable supplies of the medicines patients need. Responding to the power shortages caused by the Great East Japan Earthquake made us realize the importance of taking additional energy conservation measures, including saving power, to continue fulfilling our mission.

As part of our power-saving initiatives, we installed emergency generators to reduce our peak demand load. This increased our environmental impact in certain areas, but we were able to achieve our targets with the cooperation of the entire Chugai Group, including the four manufacturing and research facilities classified as large power users.

We intend to continue to promote power-saving and energy-conscious business activities.

Nobuaki Kato, Manager, Environmental Protection, Safety and Hygiene Group, Corporate Social Responsibility Department

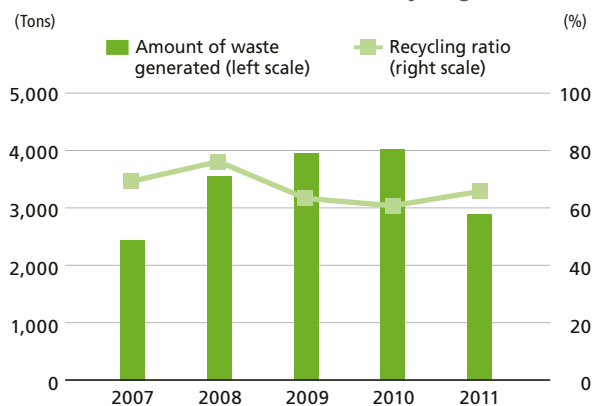


Waste Reduction

Waste Reduction

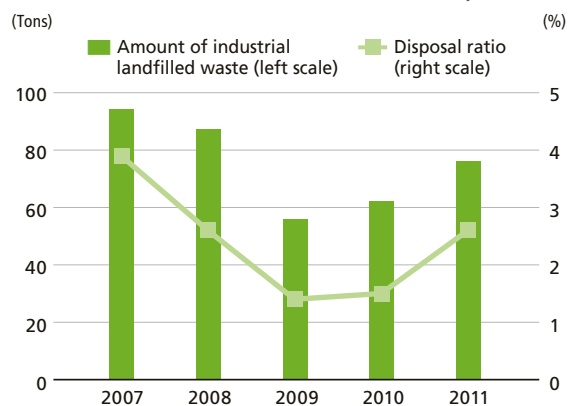
The amount of waste generated in 2011 was 2,888 tons, a 28 percent decrease compared with 2010. This was the result of lower production volume due to the Great East Japan Earthquake and a substantial decrease in incinerated ash following the shutdown of the refuse-derived fuel (RDF) boiler at Fuji Gotemba Research Laboratories. However, due to an increase in sludge and other waste from the dismantling of the wastewater treatment facility at the Fujieda plant, the amount of landfilled waste increased by 14 tons to 76 tons, and the final disposal ratio was 2.6 percent. In waste generated, there was an increase in flammable waste oils from certain raw materials in addition to the increase in sludge.

Industrial Waste Generation and Recycling Ratio¹



1. Amount of waste recycled/(amount of waste disposed + amount of waste recycled)

Amount of Industrial Landfilled Waste and Final Disposal Ratio²



2. Amount of landfilled waste/amount of waste generated

Processing of PCB Waste



Capacitors for disposal

Analysis of insulating oil containing PCBs from capacitors maintained at the Ukima site led to the disposal of three below-standard units as industrial waste. In addition, the Chugai Group entered into a contract with the Toyota Facility of Japan Environmental Safety Corporation (JESCO) for disposal of 14 capacitors at the Fujieda plant that contain PCBs. Disposal is scheduled between February and April 2012.

Waste Manager Conferences

The Chugai Group holds scheduled waste manager conferences twice a year. They are attended mainly by the waste managers from Group plants and research laboratories. In 2011, participants shared information on appropriate treatment by waste disposal contractors. Activities included training on the April revision to the Waste Disposal Law and a review of waste disposal contractors to reduce waste risk and contracting expenses. Measures were also taken to enhance the waste managers' knowledge, including a guest lecture by Masayoshi Ishiwata, author of numerous books on waste, covering areas such as methods for analyzing waste disposal contractors and the current status of earthquake debris disposal. On-site verification was conducted at a total of 49 contractor facilities.



Bulletin board of waste disposal contractor permits

Chemical Substance Management

Chemical Substance Management

In oncology and other areas, chemical substances used to make new drug candidates are extremely potent. Many have a potential impact on the safety and health of employees working with them in the course of research and development and manufacturing. Accordingly, absolute care is necessary in managing and handling raw materials and intermediates. A proper work environment must be prepared to protect employees from exposure to chemical substances and to prevent health hazards. The Chugai Group has established a rule to conduct risk assessments of the chemical substances to be handled and the type of work to be performed. Based on the results of such assessments, appropriate work environments are prepared and protective equipment selected. After that, operations and procedures are determined.

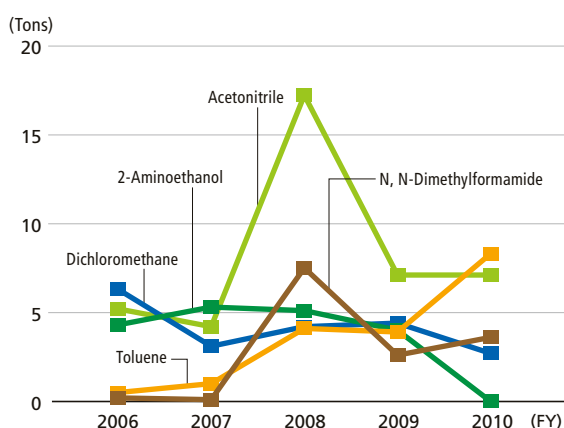
The Chugai Group held briefings in 2011 to publicize its rule, and will continue to promote the dissemination of chemical substance management based on risk assessment.

We also provide material safety data sheets (MSDS) and Yellow Cards (cards with emergency measures and contact information) to help ensure the safety of outside parties such as toll manufacturers.

In the one-year period from April 2010 to March 2011 (fiscal 2010), the Chugai Group handled more than one ton each of four chemical substances covered by the PRTR Law.¹ These substances were Acetonitrile, Dichloromethane, Toluene, and N, N-Dimethylformamide. The change in amount of PRTR substances handled is shown in the graph on the right. The amount of Toluene increased, but the total amount of PRTR substances handled was essentially unchanged from the previous fiscal year.

1. Pollutant Release and Transfer Register Law. Requires companies to monitor and report the release of designated chemical substances into the environment and promotes improvement of management.

Handled Amounts of Chemical Substances Covered by PRTR Law



Seminar on Chemical Substance-Related Laws



For proper management of chemical substances, companies are required to strictly adhere to legal regulations for chemical substances in addition to their self-imposed rules. Therefore, in 2011 the Chugai Group invited instructors to give a seminar for its researchers and staff, focused on environmental laws and regulations with a close connection to chemical substances (the Chemical Substances Control Law,² the PRTR Law, the Poisonous and Deleterious Substances Control Law, the Industrial Safety and Health Law, etc.).

2. Abbreviated name of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

Prevention of Water and Air Pollution and Soil Contamination / Education and Communication

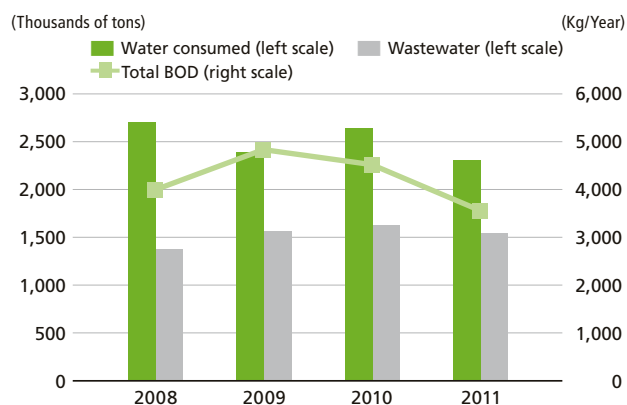
Soil Contamination Countermeasures

A soil survey conducted during dismantling of the Kamakura plant, which closed in December 2010, found two sections with levels of lead and lead compounds and selenium and selenium compounds slightly in excess of standards. Based on these findings, we are excavating and disposing of contaminated soil.

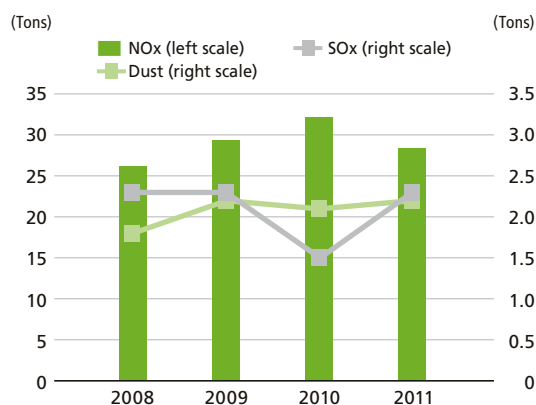
Amount of Water Consumed, Wastewater and Air Pollutants Emitted

The respective amounts of water consumed, wastewater and air pollutants emitted are shown in the graph below. The amount of water consumed decreased due to the suspension of operations following the Great East Japan Earthquake.

Water Consumed, Wastewater and Total BOD



Air Pollutants Emitted



Internal Environmental and Safety Audits

In 2011, the Chugai Group conducted internal environmental and safety audits at two research laboratories, one site and three branches. At the two research laboratories, the laboratories and other rooms had been tidied up, and no serious issues were found. At the branches, although there were points requiring improvement on some evacuation routes, they were generally dealt with successfully.



Audit in progress

Environmental Education

In 2011, the Chugai Group provided environmental education with content closely connected to various duties, including classes for new employees and new MRs on the environmental impact of the Chugai Group, internal environmental auditor training adapted to the format introduced in the previous year, and training on chemical substance-related laws and regulations for employees who handle chemicals.



Environmental education seminar

Material Flow / Environmental Accounting

Chugai Pharmaceutical CSR

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Material Flow

Input: Resources Used for Business Activities

Energy

Electricity	115,121 MWh
Heavy oil	3,174 kL
Diesel	16 kL
Gasoline	2,492 kL
City gas	17,279 km ³
LPG	25 tons

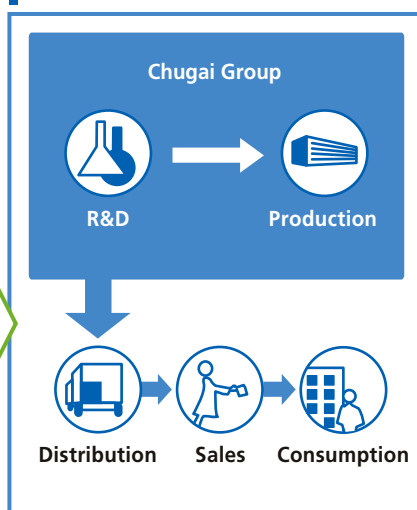
Water

2,306,000 tons

Materials

Raw materials 226 tons
(Including 22 tons of chemical substances covered by PRTR Law)

Flow of Chugai Group Business Activities



Output: Waste and Emissions from Business Activities

Air

CO ₂	92,801 tons
NO _x	28 tons
SO _x	2 tons

Waste

Generation	2,888 tons
Disposal	991 tons
Amount of landfilled waste	76 tons
Recycled	1,896 tons

Wastewater

Wastewater	1,542,000 tons
BOD	4 tons

Use of specified containers and packaging under the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging

Glass bottles	8 tons
Plastics	305 tons

The above data are totals for the Chugai Group, including the head office and branches.

Environmental Accounting

Environmental accounting data compiled in 2011 are shown below. Investments in 2011 totaled ¥779 million, while costs were ¥1,983 million.

Major investments included energy-saving equipment and monitoring devices, measures to prevent the release of chemical substances, and wastewater management equipment.

The economic benefit was ¥38 million.

Annual Investments and Costs for Environmental Protection

(Millions of yen)

Breakdown of costs		2009		2010		2011	
		Investments	Costs	Investments	Costs	Investments	Costs
(1) Business area costs	(1)-1 Pollution prevention costs	686	713	279	696	564	753
	(1)-2 Global environmental protection costs	128	449	101	430	208	468
	(1)-3 Resource recycling costs	1	254	11	253	6	252
	Subtotal	815	1,416	391	1,379	778	1,473
(2) Upstream and downstream costs		2	136		178		85
(3) Administration costs		4	383	13	349	1	336
(4) R&D costs		1	2		2		1
(5) Social activity costs		8	133	3	143		88
(6) Environmental remediation costs		0	40				
Total		830	2,110	407	2,051	779	1,983

Performance Data

Key Data Related to Social Responsibility

Chugai Pharmaceutical CSR

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Social Area

		2009	2010	2011
Full-time employees (consolidated) ^{1, 2}	Chugai Group	6,485	6,709	6,779
Full-time employees (non-consolidated) ^{1, 2}	Chugai	4,679	4,764	4,887
Persons employed (new graduates + mid-career personnel) ¹	Chugai	129	198	167
Average service years ¹	Chugai	14 years 9 months	14 years 8 months	15 years 3 months
Ratio of employees with disabilities	Chugai	1.83%	1.87%	2.02%
Employees who took childcare leave	Chugai	43	32	58

1. Figures as of December 31.

2. "Employees" refers to permanent, full-time employees.

		2009	2010	2011
Employees who took family-care leave	Chugai	0	3	1
Employees who used the volunteer leave system	Chugai	0	0	0
Employees who took a volunteer holiday	Chugai	1	2	33
Employees who used the program for returning to work after taking childcare leave	Chugai	38 (cumulative total for the year)	32 (cumulative total for the year)	43 (cumulative total for the year)
Inquiries to the Drug Information Center	Chugai	78,980	52,353	65,923

Environmental Area (Chugai Group)

Annual Energy Consumption and CO₂ Emissions

	2007	2008	2009	2010	2011
Electricity (MWh)	112,819	126,662	131,691	135,179	115,121
Heavy oil (kL)	2,352	1,890	2,302	2,419	3,174
Kerosene (kL)	272	255	120	—	—
Diesel (kL)	1	0.2	0.2	0.2	16
Gasoline (kL)	2,879	2,806	2,632	2,526	2,492
City gas (km ³)	15,952	17,926	18,495	19,874	17,279
LPG (tons)	28	32	30	37	25
CO ₂ emissions (tons)	87,733	95,380	98,693	103,609	92,801

Electricity is converted into CO₂ emissions using the coefficient 0.368 kg-CO₂/kWh.

Annual Waste Generation

(Tons)

	2007	2008	2009	2010	2011
Generation	2,437	3,538	3,943	4,008	2,888
Disposal	752	846	1,449	1,577	991
Amount of landfilled waste	94	82	56	62	76
Recycled	1,687	2,692	2,494	2,431	1,896
Recycling ratio ¹ (%)	69.2	76.1	63.3	60.7	65.7
Final disposal ratio ² (%)	3.9	2.3	1.4	1.5	2.6

1. Recycling ratio = amount of waste recycled/(amount of waste disposed + amount of waste recycled)

2. Final disposal ratio = amount of landfilled waste/amount of waste generated

Handled Amounts of Chemical Substances Covered by the PRTR Law

(Tons)

	FY2006	FY2007	FY2008	FY2009	FY2010
Pyridine	0.1	0.1	0.2	0.8	0.1
Formaldehyde	0.3	0.1	0.0	0.1	0.1
Acetonitrile	5.2	4.2	17.2	7.1	7.1
2-Aminoethanol	4.3	5.3	5.1	4.0	0.0
Chloroform	0.2	0.3	0.2	0.2	0.1
Dichloromethane	6.3	3.1	4.2	4.4	2.7
Toluene	0.5	1.0	4.1	3.9	8.3
N, N-Dimethylformamide	0.2	0.1	7.5	2.6	3.6

Corporate Overview

(As of December 31, 2011)

Company name:	Chugai Pharmaceutical Co., Ltd.
Founded:	1925
Established:	1943
Stated capital:	¥72,966,825,723
Fiscal year-end:	December 31
Number of employees:	4,887 (Consolidated: 6,779)
Principal lines of business:	Research, development, manufacturing, sale, importation, and exportation of pharmaceuticals
Head office:	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8324, Japan Tel: +81-3-3281-6611 (Reception) URL: http://www.chugai-pharm.co.jp/english
Domestic branches:	Sapporo, Sendai, Tokyo 1, Tokyo 2, Yokohama, Nagoya, Kyoto, Osaka, Hiroshima, Takamatsu, Fukuoka
Overseas branches:	Chugai Pharmaceutical Co., Ltd. Taipei Branch (Taiwan)
Plants:	Ukima (Tokyo), Fujieda (Shizuoka), Utsunomiya (Tochigi)
Research laboratories:	Fuji Gotemba (Shizuoka), Kamakura (Kanagawa), Ukima (Tokyo)

Chugai Group Companies (As of March 28, 2012)

Domestic Subsidiaries

Company Name	Location	Summary of Business
Chugai Clinical Research Center Co., Ltd.	Chuo-ku, Tokyo	Clinical development of pharmaceuticals
Chugai Research Institute for Medical Science, Inc.	Gotemba-City, Shizuoka Prefecture	Research and development of pharmaceuticals
Chugai Business Support Co., Ltd.	Kita-ku, Tokyo	Administrative support service
Medical Culture Inc.	Chuo-ku, Tokyo	Literature documentation
Chugai Distribution Co., Ltd.	Kazo-City, Saitama Prefecture	Storage and transportation
Chugai Pharma Manufacturing Co., Ltd.	Kita-ku, Tokyo	Contracted manufacturing of pharmaceuticals
Forerunner Pharma Research Co., Ltd.	Meguro-ku, Tokyo	Research and development of pharmaceuticals

Overseas Subsidiaries and Affiliates

Company Name	Location	Summary of Business
Chugai Pharma Europe Ltd.	London, U.K.	Clinical development and submission of applications for new drugs in Europe
Chugai Pharma U.K. Ltd.	London, U.K.	Sales of pharmaceuticals in the UK
Chugai Pharma Marketing Ltd.	London, U.K.	Sales administration/Sales of pharmaceuticals in Europe
Chugai Pharma Marketing Ltd. Germany Branch	Frankfurt, Germany	Sales and sales promotion of pharmaceuticals in Germany
Chugai Pharma France S.A.S.	Paris, France	Sales of pharmaceuticals in France
CHUGAI sanofi-aventis S.N.C.	Antony, France	Import and sales of pharmaceuticals, clinical development and submission of applications for new drugs in Europe
Chugai U.S.A., Inc.	New Jersey, U.S.A.	Holding company/Business administration in the US
Chugai U.S.A., Inc. New York Office	New York, U.S.A.	Holding company/Business administration in the US
Chugai Pharma U.S.A., LLC	New Jersey, U.S.A.	Clinical development and submission of applications for new drugs in the US
Chugai Pharma (Shanghai) Consulting Co., Ltd.	Shanghai, China	Provision of medical information on drugs in China
Chugai Pharma (Shanghai) Consulting Co., Ltd. Beijing Branch	Beijing, China	Provision of medical information on drugs in China
Chugai Pharma (Shanghai) Consulting Co., Ltd. Guangzhou Branch	Guangzhou, China	Provision of medical information on drugs in China
Chugai Pharma Science (Beijing) Co., Ltd.	Beijing, China	Clinical development and submission of applications for new drugs in China
Chugai Pharma Taiwan Ltd.	Taipei, Taiwan	Sales of pharmaceuticals in Taiwan
PharmaLogicals Research Pte. Ltd.	Biopolis, Singapore	Research and development of pharmaceuticals in Singapore
Chugai Pharmabody Research Pte. Ltd.	Biopolis, Singapore	Research focused on the generation of new antibody drugs
C&C Research Laboratories	Hwaseong-si, Korea	Research and development of pharmaceuticals in Korea



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